

Senate Committee
on
Budget and Fiscal Review

SUBCOMMITTEE 3
Health, Human Services, Labor,
and Veterans Affairs

MAJOR ACTION
REPORT

May 26, 2006

Senate Bill 1129
2006-07 Budget Bill

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SUBCOMMITTEE No. 3

HEALTH, HUMAN SERVICES, LABOR, and VETERANS AFFAIRS

Org Code

Health

4120	Emergency Medical Services Authority.....	3-1
4260	Department of Health Services.....	3-1
4270	California Medical Assistance Commission	3-7
4280	Managed Risk Medical Insurance Board	3-8
4300	Department of Developmental Services.....	3-9
4440	Department of Mental Health.....	3-11

Human Services

4140	Office of Statewide Health Planning and Development	3-13
4170	Department of Aging.....	3-13
4180	Commission on Aging.....	3-13
4200	Department of Alcohol and Drug Programs.....	3-13
4700	Department of Community Services and Development.....	3-14
5160	Department of Rehabilitation	3-14
5170	State Independent Living Council.....	3-14
5175	Department of Child Support Services.....	3-14
5180	Department of Social Services	3-15

Labor

0559	Labor Workforce Development Agency	3-20
7100	Employment Development Department.....	3-20
7350	Department of Industrial Relations	3-21

Veterans Affairs

8955- 8966	Department of Veterans Affairs and Veterans Homes of California	3-22
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HEALTH

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Increased by a total of \$18.3 million (General Fund) to purchase three Mobile Hospitals, one more than proposed by the Administration, in order to locate them in the same regions as the CA Medical Assistance Teams and to have better overall state coverage in the event of an emergency that requires this level of assistance.
- Approved an increase of \$1.75 million (Reimbursements which are federal funds) to implement and administer three new disaster response teams for California which would be known as the CA Medical Assistance Teams (CalMAT). The CalMAT's are to be designed after the existing federal teams. Of the amount appropriated, \$1.3 million is for special caches, including medical supplies, pharmaceuticals, medical equipment and tents to be used by the CalMATs to provide for a variety of disaster situations.
- Approved as requested an increase of \$177,000 (Emergency Medical Services Personnel Fund) for three positions for the Paramedic Licensing and Enforcement Program to address issues regarding administration of the program.
- Rejected a \$1.5 million (General Fund) loan and reorganization proposal regarding the proposed transfer of licensing emergency medical personnel to the state. This is a significant policy change and policy legislation is proceeding on the issue.

4260 DEPARTMENT OF HEALTH SERVICES

Public Health Programs

- Augments the DHS by \$195.4 million (\$161.4 million General Fund) to address several components for preparing for a pandemic influenza "surge" as proposed by the Administration. These components are shown below. (Please see Item 4120 for the Mobile Hospital purchases.)
 1. Approved \$5.224 million for a consultant and staff to develop state guidance and standards for hospitals during a pandemic influenza event. But rejected Budget Bill Language that would have provided the DHS with broad emergency regulation authority;
 2. Denied the \$14.5 million (General Fund) to fund staff positions in 420 hospitals (ongoing cost of \$29 million General Fund) to have them participate in local emergency planning efforts. Also denied trailer bill legislation to require hospitals to participate in local emergency planning efforts as a condition of licensure.
 3. Approved \$424,000 (federal funds) and positions to have the DHS update hospital licensing regulations (Title 22 requirements) which are extremely out of date.

4. Adopted an augmentation of \$53.3 million (General Fund) to purchase antiviral medication as proposed by the Administration. Also adopted Budget Bill Language to enable the DHS to waive public contract code requirements for this purchase.
 5. Provided \$33 million (total funds) to purchase 2,395 ventilators, or one-third of the amount requested by the Administration. This reflects a phased-in approach.
 6. Increased by \$78.2 million (total funds) to purchase medical supplies for “alternative care sites” which reflects half the level requested by the Administration. This reflects a phased-in approach.
 7. Provided \$25.25 million (total funds) for masks for health care workers, which reflects half the level requested by the Administration. This reflects a phased-in approach.
- Augmented by a total of \$45.8 million and 53 new DHS positions to conduct various activities related to public health preparedness, including readiness for pandemic influenza. These activities include the following:
 1. Increased by \$16 million (\$11.4 million General Fund and \$4.5 million federal funds) to provide additional funding to the 61 Local Health Jurisdictions as requested by the Administration. Of this amount, \$9.15 million will be used to provide a \$150,000 minimum to each jurisdiction and the remaining \$6.9 million will be allocated based on population. In addition, approved three of the five requested DHS positions and \$1 million in contract funds. Also required the reporting of certain data.
 2. Provided \$1.5 million (General Fund) and one DHS position to manage and stockpile antivirals as requested by the Administration. These funds would purchase about 200,000 does of antivirals at a cost of \$1.3 million.
 3. Approved \$4.2 million (General Fund) and 13 DHS positions to expand the capacity of the Richmond Laboratory to respond to bioterrorism and emerging diseases, and to create a pre-doctoral program to expand the number of clinicians (doctorate and post-doctorate level) at the local level (i.e., contract with the University of California system (one program at Berkeley and one at Los Angeles).
 4. Approved \$1.3 million (General Fund) and 4 DHS positions to expand and maintain state and local capacity to conduct communicable disease surveillance. Of this amount, \$700,000 would be used to contract with the UC system to obtain specialized services to conduct support, training, testing, customer service, interfacing, and quality control activities for statewide surveillance operations and initiatives, such as the use of electronic laboratory reporting.
 5. Approved \$350,000 (federal funds) as requested to train public health field staff on how to respond to emergencies.
 6. Provided \$465,000 (General Fund) and three positions, in lieu of five positions, for the DHS to prepare and respond to pandemic influenza. The positions are to be used in the Immunization Branch to, among other things, (1) review state and national pandemic influenza plans and develop standards for clinical activities, (2) develop standards of

- care for a clinical response to pandemic influenza, and (3) communicate and coordinate with local, state and federal agencies.
7. Rejected \$14.3 million and five positions to develop an outreach and media campaign for pandemic influenza. The Administration had proposed using a sole source contract for this purpose.
 8. Deleted \$1.4 million and ten DHS positions to develop healthcare and community infection control program for hospitals since policy legislation is proceeding on this issue.
 9. Approved two DHS positions in lieu of five positions to address concerns regarding potential attacks on the environment by terrorists.
 10. Approved two DHS positions in lieu of six positions to address concerns regarding potential attacks on food by terrorists.
 11. Approved \$1.5 million (special funds) and five DHS positions to protect water from potential attacks by terrorists.
- Augmented by \$359,000 (federal funds) to address new federal activities related to pandemic influenza as required by the federal Centers for Disease Control (CDC).
 - Increased by \$1 million (General Fund) the Indian Health Program to fund additional primary care health clinics.
 - Approved an increase of \$1 million (General Fund) and 8 positions to implement AB 121 (Vargas), Statutes of 2005 regarding concerns with lead in candy
 - Expanded the Newborn Screening Program to including screening for Cystic Fibrosis and Biotinidase and adopted placeholder trailer bill legislation for this action.
 - Provided an increase of \$100,000 (General Fund) for San Francisco City/County to conduct water quality monitoring as required by AB 1876, Statutes of 2004.
 - Shifted \$1 million (Proposition 99 Funds) from Asthma activities to provide \$500,000 to the Seasonal, Migratory Worker Clinics and \$500,000 to the Rural Health Clinics since the Asthma program was not spending all of its funding. The Asthma program will be funded at \$3 million, versus the Administration's proposed level of \$4 million (Proposition 99 Funds).
 - Adopted trailer bill legislation as proposed by the Administration to exempt the payment of \$20.2 million (General Fund) to the County Medical Services Program (CMSP).
 - Increased by \$35 million (WIC Manufacturer Rebate Fund) to enable the state to stretch federal food grant dollars to serve more participants and absorb food inflation costs.
 - Fully funded the AIDS Drug Assistance Program (ADAP).

- Provided the DHS with three positions using special funds from rebates to expand the CARE Health Insurance Premium Payment (HIPP) Program to enable individuals to have their Medicare Part D premiums paid by the ADAP if it is cost-beneficial for the state.
- Fully funded the Genetically Handicapped Persons Program (GHPP) for caseload and related adjustments.
- Fully funded the Genetic Disease Program for caseload and related adjustments.
- Fully funded the CA Children's Services (CCS) Program for caseload and related adjustments.
- Fully funded the Child Health Disability Prevention (CHDP) Program for caseload and related adjustments.
- Reappropriated \$107.5 million (Proposition 50 funds) to provide for additional time as necessary to obligate funding for 2005-06 for such items as construction contracting and related activities for drinking water systems.
- Extended 15.5 positions at a cost of \$1.6 million (special fund) for the Proposition 50 Drinking Water Management Program for administration of the grants including engineering review, financial and accounting functions, and related activities.
- Extended 10.5 positions at a cost of \$1.1 million (special funds) for administration of the Small Drinking Water Program to provide technical assistance in numerous areas, including completing applications to obtain loan funding.
- Increased by \$1.1 million (special fund) to hire 11 new Sanitary Engineers to assist in ensuring that certain oversight activities are conducted for the Large Drinking Water Program. Trailer bill language to change the existing DHS inspection timeframes was rejected.
- Approved 6 DHS positions and a fee increase as proposed by the Administration to address concerns regarding medical waste management. Also approved trailer bill legislation.
- Approved \$495,000 (General Fund) and four DHS positions to implement SB 484 (Migden), Statutes of 2005.
- Approved 7 DHS positions for an increase of \$815,000 (special funds) and trailer bill legislation to improve the Drug and Medical Device Manufacturer Program.
- Approved 8 DHS positions to conduct inspections of X-ray machines and to evaluate applications for license approval to use radioactive material for industrial, academic, medical or research purposes.
- Denied the Administration's proposal to establish a continuing education program for environmental health specialists since it would have increased fees.

The Medi-Cal Program

- Appropriated an additional \$78.1 million (\$39 million General Fund) to provide an increase to six plans identified by the DHS who required additional funding in the budget year to stabilize their “tangible net equity” level at 200 percent.
- Approved an increase of \$65.4 million (\$32.7 million General Fund) to recognize the sunset of the 5 percent rate reduction as of December 31, 2006 as contained in AB 1762, Statutes of 2003. This adjustment becomes effective as of January 1, 2007.
- Modified the Administration’s proposal to improve licensing and certification functions by (1) changing 23 positions to the higher classification of Registered Nurse; (2) making 23 limited-term positions permanent; (3) adopting placeholder trailer bill language to establish a special fund—the Licensing and Certification--and any necessary language regarding the collection of fees; (4) rejecting the Administration’s remaining trailer bill language changes without prejudice since policy legislation is proceeding on these issues; (5) augmenting by \$11 million (General Fund) to reduce the fees proposed by the Administration in specified areas; (6) providing a total of 141 positions for increased inspections; and (7) shifting the payment of fingerprint clearances currently paid by certain workers to be paid for by the state as required by federal law.
- Adopted placeholder trailer bill legislation, in lieu of the Administration’s, to implement the federal Deficit Reduction Act (DRA) of 2005 regarding proof of citizenship or national status as a condition of Medi-Cal eligibility. Adopted modified Budget Bill Language to provide for assistance to individuals in meeting verification rules and for county eligibility activities.
- Increased by \$786.6 million (total funds) to fund rate adjustments as required by AB 1629, Statutes of 2004.
- Increased by \$185.4 million (\$92.7 million General Fund) to increase the rates paid for long-term care facilities that are not defined in AB 1629, Statutes of 2004, including freestanding Level A nursing homes, Distinct-Part-Level B nursing homes, and adult subacute facilities that provide long-term care, including PACE.
- Provided an 8 percent rate increase, effective as of August 1, 2006, for non-emergency transportation services for an increase of \$4.8 million (\$2.5 million General Fund).
- Augmented by \$4.5 million (\$2.2 million General Fund) and adopted placeholder trailer bill legislation to make several changes in how durable medical equipment is reimbursed, including wheelchair equipment and oxygen services.
- Increased by \$19.7 million (\$8.5 million General Fund) to allocate funds to selected counties to partner with public and private community organizations for outreach, streamlined enrollment, and retention efforts associated with Medi-Cal and Healthy Families programs. Of the total amount, \$3 million would be used for smaller counties and the remaining amount would be allocated to twenty large counties based on a DHS supplied formula. Also adopted placeholder trailer bill language in lieu of the Administration’s.

- Approved the proposal to increase by \$42.1 million (\$21.1 million General Fund) to reflect an increase in caseload of 27,600 enrollees due to the implementation of a simplified redetermination application.
- Denied the increase of \$3.4 million (\$1.4 million General Fund) to implement a new media campaign for the enrollment of Medi-Cal and Healthy Families Program individuals.
- Added Budget Bill Language to provide \$600,000 (\$300,000 General Fund) for the DHS to conduct a study of pharmacy reimbursement rates due to changes as contained in the federal Deficit Reduction Act of 2005. The results of the study shall be provided to the DHS by no later than December 1, 2006.
- Rejected the Administration's proposal to recraft the Adult Day Health Centers Program through the budget process since policy legislation is moving. An increase of \$19 million (\$9.5 million General Fund) was provided to appropriately fund the program. In addition, a minor technical correction was made to the moratorium on the certification of Adult Day Health Centers.
- Approved trailer bill language to adjust the Medi-Cal reimbursement rate paid for hearing aids. There is no General Fund affect due to these changes.
- Provided an increase of \$1.68 million (\$840,000 General Fund) to support 15 new positions to operate the Hospital Financing Waiver. Some of these positions were made two-year limited-term.
- Converted 20 limited-term positions in the Medi-Cal anti-fraud area to permanent status for an increase of \$2.3 million (\$842,000 General Fund).
- Adopted Budget Bill Language to provide appropriate funding to the counties for the effective administration of the Medi-Cal Program at the local level to ensure that counties can reasonable meet the purposes of the performance measures as contained in Section 14154 of the Welfare and Institutions Code.
- Adopted Budget Bill Language to provide for the transfer of funds as needed by the DOF to counties to provide assistance with complying with the *Conlan v. Shewry* court decision.
- Approved an increase of \$200,000 (\$100,000 General Fund) and placeholder trailer bill language that would enable a doctor of podiatric medicine, within their scope of practice, to provide treatment under the Medi-Cal Program for certain procedures without having to submit a treatment authorization request.
- Deleted 12 positions of the requested 17 positions to continue the implementation of Medi-Cal Managed Care into thirteen new counties for savings of \$430,000 (General Fund) since the Budget Act of 2005 had already provided the DHS with 27 new positions for this purpose.
- Approved three positions of the requested 5 positions to implement new coordinated care management projects for individuals enrolled in Fee-For-Service Medi-Cal and have mental health and/or substance abuse issues.

- Adopted increased expenditures of \$887,000 (\$443,500 Mental Health Services Act Fund) to contract for program management, consumer education, clinical consultation and administrative support to reduce pharmaceutical costs and improve prescribing patterns for anti-psychotics and access to quality mental health care services.
- Denied the Administration's proposal to establish two new pilot projects for Medi-Cal Managed Care—Access Plus, and Access Plus Community Plan Choices—since they require substantial policy changes. Savings of \$1.1 million (\$525,000 General Fund) were obtained from this denial.
- Rejected the Administration's proposal to develop a new long-term care community options assessment tool for savings of \$500,000 (General Fund) since policy legislation is moving on this issue and funding should be contained in the legislation.
- Reduced by \$7.5 million (General Fund) to reflect increased recoupments from “aged” drug rebates collected under the Medi-Cal Program. In addition, extended 11 DHS positions for one more year for these collection purposes.
- Adopted an increase of \$1.1 million (\$355,000 General Fund) to expand the Nursing Facility Waiver as required by SB 643 (Chesbro), Statutes of 2005.
- Approved 19 positions of the requested 26 positions to process applications in the Breast and Cervical Cancer Program and reduced local assistance by \$6 million (\$2 million General Fund) to reflect the processing of backlogged applications which will shift individuals between programs (federal and state only).
- Provided an increase of \$2 million (\$1 million General Fund) to fund a disease management project for individuals with HIV/AIDS but deleted \$1 million (\$500,000 General Fund) from the existing project due to delays in implementation.
- Approved 46 positions of the requested 55 positions to implement AB 1629, Statutes of 2004 regarding nursing home reimbursement. Adopted placeholder trailer bill legislation in lieu of the Administration's in order to more narrowly limit the language regarding the use of the quality assurance fees for payment of the DHS' expenditures.
- Approved 14.5 positions to increase the number of DHS staff conducting fingerprint investigations but rejected proposed trailer bill language since policy legislation is moving.
- Approved 3 positions in lieu of a requested 6 positions to improve the Treatment Authorization Request (TAR) process.

4270 CALIFORNIA MEDICAL ASSISTANCE COMMISSION

- Approved as proposed by the Administration.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Provided a total of \$1.027 billion (\$371.1 million General Fund) for the Healthy Families Program to provide health, dental and vision coverage to 867,727 children (June 30, 2007).
- Provided an increase of \$9.6 million (\$3.4 million General Fund), including one position, to streamline the Healthy Families enrollment process and adopted trailer bill legislation to enact changes. These changes include *discontinuing* requiring applicants to (1) submit a premium at the time of application, and (2) make a plan selection at the time of application. Instead, applicants would pay their premium upon actual enrollment into the program and would have up to three months to choose a health care provider.
- Increased by \$1.1 million (\$400,000 General Fund) to increase the amount paid to “certified application assistants” for successful annual eligibility redeterminations from \$25 to \$50 per application.
- Rejected the Administration’s proposal to increase by \$3 million (\$1.1 million General Fund) to provide an additional \$25 to certified application assistants who use the Health-e-App web-based application when submitting applications.
- Adopted trailer bill legislation that would eliminate the potential for Access for Infants and Mothers (AIM) linked infants to be enrolled in either the no cost Medi-Cal Program or private insurance, as well as in the Healthy Families Program.
- Increased by \$22.8 million (General Fund) (*one-time only*) to be allocated by the Managed Risk Medical Insurance Board to specified County Health Initiative programs to enroll up to 24,000 children in 2006-07. The first allocation of grants would be provided to those counties that as of May 1, 2006, have a waiting list for children to enroll in their local program. The second allocation of grants would be to all 18 existing County Health Initiative programs. In addition, an increase of \$251,000 (General Fund) was provided to fund three positions. Trailer bill language was also adopted to enact this grant program. This action conforms to the Governor’s proposal.
- Adjusted, as proposed by the Administration, federal matching funds under the County Health Initiative Matching Fund Program funds to Alameda, Santa Clara, San Mateo, San Francisco, Santa Cruz and Tulare as approved by the federal CMS and as allowed for under AB 495, Statutes of 2001.
- Provided four new positions, in lieu of ten positions, to conduct a variety of contractor oversight functions and program integrity functions related to the operations of the Healthy Families Program.
- Approved as proposed \$432,000 (Mental Health Services Act Funds) and two positions to do an evaluation of the Healthy Families Program’s mental health delivery system and to craft a strategy for monitoring outcomes from this evaluation.
- Fully funded the Access for Infants and Mothers (AIM) Program.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES**Community-Based Services**

- Rejected the Governor's proposal to make extensive changes to contract language with the Regional Centers to reduce services and supports provided to consumers served by Regional Centers. An increase of \$10.9 million General Fund was needed to backfill for this elimination of proposed savings.
- Eliminated the \$7 million (General Fund) augmentation to the Regional Center's operations to implement the proposed additional cost containment measures.
- Augmented by \$6.12 million (\$4.3 million General Fund) to provide an additional 10 percent rate increase for Supported Employment Programs serving individuals with developmental disabilities. The total increase for 2006-07 would be 13 percent, including the three percent provided in the January budget.
- Adopted a three percent rate increase for most services, including Day Programs, In-Home and Out-of-Home Respite services, Behavior Management, Independent Living, Supported Employment, and Community Care Facilities, as contained in the January budget and as adjusted technically by the May Revision.
- Approved an increase of \$2.3 million (General Fund) to expand the Autistic Spectrum Disorder Initiative. These funds will be used to provide additional staff at the Regional Centers for these services and to implement "best practice" guidelines for screening, diagnosis, and assessment.
- Increased by \$3 million (General Fund) and adopted trailer bill legislation to provide resources for the focused development of new community-based programs. The Governor's budget had continued a freeze on these funds for savings of \$6 million (General Fund).
- Provided an additional \$3.2 million (\$1.7 million General Fund) to Regional Center Operations to address concerns expressed by the federal Centers for Medicare and Medicaid (CMS) regarding California consistently meeting its 1 to 62 case manager to consumer ratio within the state's Home and Community-Based Waiver. Also adopted Budget Bill Language to require the DDS to actively engage the Regional Centers on how to improve case management functions.
- Adopted several May Revision adjustments in order to capture increased federal funds. These actions included the following: (1) \$2.1 million (\$1.4 million General Fund) to add 42 Regional Center staff to re-negotiate transportation vendor contracts and to train these contractors on how to provide detailed billing for federal reimbursement purposes; (2) \$1.3 million (\$1 million General Fund) to provide for up to a one percent increase in the re-negotiated contracts with vendors to cover their increased workload for providing detailed billing data; (3) a shift of \$16.1 million from General Fund support to federal fund support; (4) \$193,000 (\$126,000 General Fund) to provide for two staff at DDS headquarters to oversee changes to the billing system and the administration of the program; and (5) adopted both Budget Bill Language and trailer bill language to implement the proposal.

- Approved an increase of \$7.7 million (General Fund) to facilitate the continued enrollment of RC consumers into the federal Medicare Part D Drug Program. Of this amount, \$4.8 million is to pay insurance premiums or to buy prescription medications not covered by Part D (whichever is most cost effective). The remaining \$2.9 million is to continue support for existing enrollees to access medications and to assist new consumers in signing up with new plans. Budget Bill language was also adopted to capture data related to drug expenditures.
- Reappropriated \$11.1 million (General Fund) to facilitate the initial development of community-based living options for the current residents of Agnews and extended the period to liquidate encumbrances to June 30, 2010.
- Reappropriated \$2 million (General Fund) as requested by the Administration and adopted extensive Budget Bill Language regarding the pending implementation of the California Developmental Disabilities Information System (CADDIS).
- Adopted as proposed by the Administration the following continued cost containment items: (1) extending the amount of time allowed for Regional Center's to conduct assessment of new consumers from 60 days to 120 days following the initial intake; and (2) elimination of the SSI/SSP pass through to Community Care Facilities.
- Provided an additional \$500,000 (General Fund) for the Best Buddies Program.

Developmental Centers

- Provided total expenditures of \$702.7 million (\$385 million General Fund) for the Developmental Centers as proposed by the Administration. This level of funding assumes a resident population of 2,828 people. This funding level includes various adjustments for worker's compensation, employee compensation, certain federally required quality management enhancements and activities related to implementation of the federal Part D Drug Programs.
- Increased by \$1.2 million (General Fund) and 14 positions for the Porterville Developmental Center to staff a new, self-contained Intensive Behavioral Treatment Residence within the secured treatment area.
- Adopted the Administration's proposal to delay the closure of Agnews Developmental Center until June 30, 2008.
- Adopted an increase of \$1.4 million (\$832,000 General Fund) to fund positions at the DDS headquarters and at the Developmental Centers to continue with a restructuring of the Office of Protective Services in order to address safety and security issues identified by the State Attorney General's Office in a 2001 report.
- Approved all capital outlay projects for the Developmental Centers as requested.

4440 DEPARTMENT OF MENTAL HEALTH**Community-Based Services**

- Increased by a total of \$186 million (General Fund) to reimburse County Mental Health plans for costs claimed for the 2004-05, 2005-06 and 2006-07 fiscal years for the Services to Handicapped Students (AB 3632) and Seriously Emotionally Disturbed Pupils (Chapter 654, Statutes of 1996). The reimbursement for these claims is still subject to audit by the State Controller. The \$186 million increase is \$117 million over the Governor's May Revision amount of \$69 million (General Fund).
- Provided a total of \$19.3 million (Mental Health Services Fund) to the DMH to administer Proposition 63—the Mental Health Services Act (Act). This includes funding for contracts and positions at the DMH. Local assistance funding for the Mental Health Services Act is continuously appropriated and as such, does *not* flow through the annual Budget Act.
- Increased by \$534,000 (Mental Health Services Fund) to support the activities of the Oversight and Accountability Commission.
- Adopted trailer bill legislation that requires the DMH to revise their existing audit methods, specifically use of extrapolation, in their review of the EPSDT Program. If the DMH does not make changes to this existing method by no later than August 1, 2006, then the DMH shall cease using the extrapolation method for determining audit disallowances.
- Provided \$1.2 million (Mental Health Services Fund) for the Governor's initiative on Chronic Homelessness. Specifically, these funds will be used to (1) hire three staff, and (2) hire consultants to do a variety of functions related to housing assistance. All local assistance for this project—about \$75 million—is continuously appropriated and does not flow through the annual Budget Act.
- Approved all technical adjustments for the baseline Mental Health Managed Care Program as proposed by the DMH.
- Increased by \$3.3 million (General Fund) (one-time only) to comply with the requirements of the Conlan Court Order (*Conlan v. Shewry*).
- Concurred with the Administration on needed technical adjustments to the supplemental mental health services provided to children enrolled in the Healthy Families Program.
- Increased by \$456,000 (General Fund) for the Forensic Conditional Release Program to reflect an increase in the number of patients being discharged from the State Hospitals that are expected to be in the Conditional Release Program in 2006-07.
- Adopted the proposed adjustments to the San Mateo Field Test Model as proposed by the DMH.

State Hospitals

- Concurred with the Administration to provide a total of \$884.9 million (\$771.8 million General Fund) for the support of the State Hospitals. The population of the State Hospitals is now 87 percent Penal Code-related. A total of 5,805 patients (as of June 30, 2007) are estimated to be receiving services at the State Hospitals.
- Enacted several changes related to the *Coleman* court order for the provision of mental health services for incarcerated individuals serving their sentence in state prisons. The DMH contracts with the CA Department of Corrections and Rehabilitation (CDCR) to provide assistance with this population. These actions include: (1) an increase of \$5.7 million (General Fund) and 68 positions to activate 36 Intermediate Care Facility (ICF) beds at Salinas Valley State Prison; (2) an augmentation of \$1.8 million (General Fund) and 19 positions to convert 60 day treatment beds to 36 ICF beds at Vacaville Psychiatric Program; and (3) an increase of \$432,000 (General Fund) to reflect the establishment of a new psychiatrist series classification at Vacaville and Salinas Valley Psychiatric Programs.
- Provided an increase of \$1.8 million and 24 positions for a change in the staffing needs identified in the Sexually Violent Predator Treatment Restructure Program at Coalinga State Hospital. This increase concurs with the Administration's experience in activating residential housing units at Coalinga State Hospital and the need for Level-of-Care staffing.
- Increased by \$341,000 (General Fund) to the Office of Patient Rights within the DMH for the contract that provides patient's rights advocacy services. Due to grave concerns expressed by the federal Department of Justice Civil Rights Division regarding these hospitals, this adjustment serves as a mitigation measure to avoid further federal concerns.
- Augmented by \$9.7 million (General Fund) and decreased by \$7.2 million (Reimbursements) to reflect the permanent shift of General Fund support from the DHS to the DMH for patient generated revenue and eligibility unit contracts at Metropolitan State Hospital and Napa State Hospital.
- Transferred \$3.6 million (General Fund) from the CDCR to the DMH for mental health services provided to juvenile wards receiving treatment at Metropolitan State Hospital.

HUMAN SERVICES

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Approved 16.0 new positions and \$1.3 million Hospital Building Fund to improve the efficiency of the hospital facility seismic safety review functions performed by the department.

4170 DEPARTMENT OF AGING

- Increased funding for the Multipurpose Senior Services Program (MSSP) by \$6 million (\$3 million GF). In addition, to align MSSP program management and funding, consolidated all funding for MSSP in the Department of Aging (shifted existing MSSP funding from the Department of Health Services to the Department of Aging).
- Approved \$566,000 (\$174,000 GF) and 4.0 positions to establish post-payment reviews for Adult Day Health Care centers.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Maintained \$120 million GF for the Substance Abuse and Crime Prevention Act (Proposition 36), as proposed in the Governor's Budget.
- Increased funding for Adult Drug Courts by \$4 million GF. The LAO estimates an increase of \$4 million in 2006-07 and \$8.9 million in 2007-08 and annually thereafter would result in net savings of \$179,000 in 2007-08 and \$7.9 million in 2008-09, due to reduced prison costs.
- Approved \$5.3 million (\$2.7 million GF) and 4.0 two-year limited term positions to comply with the *Conlan v. Bontá* and *Conlan v. Shewry* lawsuits.
- Approved \$782,000 (\$578,000 GF) and 6.5 positions to improve the licensing and certification of alcohol and drug treatment programs in the state. Approved trailer bill language to require biennial reviews of outpatient-only facilities. Rejected 1.0 position and trailer bill language which would have expanded the ability of the department to revoke or suspend licenses.
- Approved \$286,000 (\$143,000 GF) and 3.0 positions to establish a Drug Medi-Cal fraud deterrence program.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Increased funding for the Naturalization Services Program by \$1.5 million GF, to provide total funding of \$3 million GF for this program.

5160 DEPARTMENT OF REHABILITATION

- Increased funding by \$3.9 million (\$2.4 million GF) for the Supported Employment Program to reflect a 10 percent increase in the job coaching reimbursement rate above the 3 percent increase proposed by the Governor's budget, and an increase in the placement fee from \$1000 to \$2000.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Approved \$274 million (\$94 million GF) for the continued development of the California Child Support Automation System (CCSAS). In addition to the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU) components, funding and positions would also be provided in 2006-07 for a statewide Customer Service Support Center and a Centralized Financial Management Team to respond to telephone inquiries and resolve exceptions for non-assistance child support cases that will be added to the SDU as it becomes operational.
- Approved \$220 million GF for payment of the federal fiscal year (FFY) 2006 alternative federal penalty in 2006-07. Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support. The Department indicates that this penalty payment in 2006-07 is anticipated to be the last penalty payment required, as CCSAS is anticipated to be sufficiently operational by October 2006 to avoid further penalty assessments.
- Approved \$28.5 million (\$25.5 million GF) to resolve an issue with creation of arrears (outstanding child support obligations) due to a payment processing change implemented by the state in the development of CCSAS.
- Approved \$520,000 (\$177,000 GF) to maintain 6.5 of 9.0 expiring limited-term positions for the Compromise of Arrears Program (COAP). This program accepts reduced lump sum settlements from non-custodial parents with arrearages in exchange for their commitment to make ongoing payments.

5180 DEPARTMENT OF SOCIAL SERVICES**CalWORKs and Food Programs**

- Adopted a series of initiatives and reforms to address changes to CalWORKs required by the federal Deficit Reduction Act of 2005, including reinvestment of \$150 million in federal Temporary Assistance for Needy Families (TANF) funds back into CalWORKs to improve work participation rates and family outcomes. This action also includes reprioritization of \$158 million in existing CalWORKs funds to get more families engaged faster, prevent sanctions, and increase the state's investment in education, training, and child care:
 - **Enhance Up-Front Engagement:** Redirect \$20 million TANF from the May Revision proposed Participation Improvement Project and \$10 million TANF from the proposed TANF reauthorization reserve to provide a total of \$30 million to encourage innovative engagement strategies.
 - **CalWORKs Education, Training, and Employment Collaborative:** Redirect \$25 million from the proposed TANF Reauthorization reserve to fund collaborative programs would emphasize activities that meet federal requirements, but give participants skills that will help them achieve long-term self-sufficiency.
 - **CalWORKs in Community Colleges:** Redirect \$9 million from the proposed TANF Reauthorization reserve to count \$9 million in Community College Prop 98 funding toward the TANF MOE.
 - **Sanctions Engagement Initiative:** Redirect \$40 million from the proposed TANF Reauthorization reserve to prevent and cure CalWORKs sanctions.
 - **CalWORKs Homelessness Prevention and Engagement:** Redirect \$10 million from the proposed TANF Reauthorization reserve for CalWORKs Homelessness prevention and support to prevent housing instability as a barrier to participation.
 - **Increase Accountability:** Fund the Pay for Performance program at \$40 million annually (beginning in 2007-08), and clarify the counties' responsibility for potential federal penalties.
 - **Restore Basic CalWORKs Program to 2004-05 Level:** Restore \$140 million for county CalWORKs programs to bring funding back to the actual 2004-05 spending level. Shift TANF out of Child Welfare Services and Foster Care to restore county funding.
 - **Realign Foster Care and Child Welfare Services Funding:** Fund \$150 million Foster Care and Child Welfare with General Fund, rather than TANF.
 - **Shift Exempt Cases:** Fund Exempt CalWORKs cases with non-MOE General Fund. Adopt placeholder trailer bill language to express Legislative intent that these cases remain a high priority for engagement. Use other countable expenditures to meet the MOE requirement. (No Net General Fund cost or TANF/MOE impact.)

- **CalWORKs County Peer Review Program:** Redirect \$1.5 million from the TANF Reauthorization reserve for a CalWORKs county peer review program to identify and share best practices that enhance participation and engagement.
- **Research and Data Improvement:** Redirect \$2.5 million from the TANF Reauthorization reserve for state staff and contract funding for data improvement research, analysis, and reporting to understand caseload components, trends, and dynamics.
- **Plan for TANF Regulations:** Maintain \$15 million of the TANF Reauthorization reserve for automation and implementation activities related to pending June 30th federal regulations.
- **Employment Training Fund:** Shift \$33 million in resources back to the Employment Training Panel.
- Rejected the Governor's Budget proposal to reduce current year funding for CalWORKs child care by \$114 million TANF/MOE.
- Approved \$24 million TANF/MOE savings for an LAO-identified CalWORKs caseload adjustment.
- Approved the May Revision increase of \$15.6 million TANF to reflect a reduction in savings associated with the 2004-05, SB 1104 welfare reform efforts. Also provided an additional \$5 million TANF to reflect a more conservative savings estimate of SB1104 welfare reform efforts.
- Increased funding by \$600,000 GF for substance abuse treatment services provided by Indian Health Clinics.
- Approved an increase of \$44.2 million TANF to reflect a reduction in the CalWORKs eligibility determination savings assumed to result from Quarterly Reporting/Prospective Budgeting (QR/PB). This increase is in addition to a \$25 million placeholder included for this purpose in the Governor's Budget.
- Increased funding by \$9.6 million (\$3.4 million GF) to reflect a reduction in the Food Stamp eligibility determination savings assumed to result from QR/PB.
- Approved \$1 million GF for the Farm to Family Program.
- Rejected the Governor's Budget proposal to statutorily freeze county funding to operate health and human services programs, and instead adopted placeholder trailer bill language to reestablish a methodology to survey actual costs, and require future budget documents to document the degree to which those costs are reflected in the budget.

Children and Youth Services

- Increased funding for Foster Care and Child Welfare by \$75 million GF above the May Revision:

- Increased funding by \$80 million (\$50 million GF) to increase the number of child welfare social workers and protect children's safety by reducing the number of children per social worker and moving toward meeting the SB 2030 caseload standard.
- Increased funding for the Transitional Housing Placement Program (THPP) by \$4 million GF and adopted trailer bill language to eliminate the county share of cost for the program.
- Increased funding for Dependency Drug Courts by \$3 million GF above the May Revision level of \$2.1 million GF, to expand Dependency Drug Courts to additional counties.
- Increased funding by \$8 million GF to provide kinship care providers a specialized care increment and clothing allowance that is currently only available in the Foster Care program. Extend eligibility for Kinship Care assistance to certain probation youth who have been living with a relative for at least 12 months.
- Increased funding by \$4 million GF above the \$6.3 million GF in the Governor's Budget for efforts to help with the adoption of hard to place foster children
- Increased funding by \$5.7 million GF to fund additional financial aid for foster youth attending two-year or four-year colleges under the Chafee Scholarship program.
- Approved \$19.6 million (\$11.9 million GF) in the May Revision for the Child Welfare Program Improvement Plan (PIP) but redirected all but \$1 million GF to the CWS Outcome Improvement Project (AB 636 outcome system). Maintained \$1 million in the PIP initiatives to expand the standardized safety assessment statewide.
- Approved \$25.5 million (\$10 million GF) in the May Revision for first year costs for counties that formally commit to participate in 2006-07 in the state's new Title IV-E Child Welfare Waiver Demonstration Project. This waiver proposal will test a "capped allocation" strategy that will block grant federal Title IV-E foster care funds for up to 20 participating counties. Also adopted language to allow these funds to be used for the CWS Outcome Improvement Project.
- Approved an increase of \$16.9 million (\$6 million GF) in the May Revision for additional county social worker training stipulated under the statewide standardized core curriculum for all county child welfare workers.
- Approved \$12.2 million (\$7.1 million GF) in the Governor's Budget to hire additional state and county adoptions caseworkers.
- Approved \$2.5 million GF in the Governor's Budget to expand Kinship Support Services and allow all counties to apply for Kinship program funding.
- Approved \$23 million (\$10 million GF) in the Governor's Budget for the Foster Care Child Relationships Program, to help ensure that older foster youth develop significant and supportive relationships prior to their emancipation.

Supplemental Security Income/State Supplementary Payment

- Rejected the Governor's proposal to delay the 2007 federal Supplemental Security Income/State Supplementary Payment (SSI/SSP) cost-of-living adjustment (COLA) an additional fifteen months, from April 2007 to July 2008, and restored \$43.8 million GF.
- Rejected the Governor's proposal to extend the Cash Assistance Program for Immigrants (CAPI) sponsor deeming period from 10 to 15 years, and restored \$12.5 million GF.
- Approved savings of \$20.9 million GF in SSI/SSP to reflect quarterly retroactive benefit payments and more frequent eligibility redeterminations, as required by the federal Deficit Reduction Act of 2005. Most of this savings will be one-time.

In-Home Supportive Services

- Approved \$41.2 million GF to apply Medi-Cal share of cost rules to IHSS consumers. Due to the federal IHSS Plus waiver, IHSS consumers must meet Medi-Cal eligibility guidelines, which in some cases results in a higher share of cost to be funded by the state.
- Approved \$434.5 million (\$141.2 million GF) savings to reflect the IHSS Quality Assurance efforts to improve the consistency of IHSS, prevent fraud, and protect consumer access to services. Also adopted budget bill language to require the department to continue working with stakeholders during the ongoing implementation of Quality Assurance efforts.
- Redirected \$512,000 (\$256,000 GF) to fund programming changes to implement direct deposit functionality for IHSS providers.

Community Care Licensing

- Adopted trailer bill language to clarify that the department shall conduct unannounced visits to at least 20 percent of facilities per year.
- Approved \$6.7 million (\$6 million GF) and 80 new positions for Community Care Licensing (CCL) to complete required licensing workload and increase visits to facilities. The most significant components of the CCL reform proposal include the following:
 - \$250,000 to contract for an integrated licensing/certification fee collection process.
 - \$115,000 to contract out administrator certification testing and grading functions.
 - 38 permanent positions to increase the number of random visits from 10 percent of facilities to 20 percent each year.
 - 29 two and a half-year limited-term positions and \$110,000 for overtime to eliminate the significant backlog in licensing visits.
 - 1 one-year limited-term personnel position to assist with hiring the requested licensing positions.
 - 5 permanent positions to operate a training academy for new licensing staff.

- 2.5 permanent positions to share the DSS database of excluded or abusive employees with other HHS departments.
 - 4.5 permanent positions to handle information regarding convictions after arrest provided by the Department of Justice.
- Adopted 3.0 positions and \$366,000 GF to begin providing CCL facility compliance information on the internet.

Automation Projects

- Approved \$25.6 million (\$13.7 million GF) for development, support and implementation of an automation system for the IHSS program, known as Case Management Information and Payrolling System (CMIPS) II.
- Approved \$129.4 million (\$49.0 million GF) for implementation and maintenance of the Statewide Automated Welfare System (SAWS) CalWIN system.
- Approved \$101.0 million (\$50.3 million GF) for the Child Welfare Services/Case Management System (CWS/CMS). This amount includes \$2.7 million (\$2.4 million GF) for procurement activities associated with the New System to replace CWS/CMS.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Augmented the Agency's budget by \$85,000 (special fund) to reflect the higher revenue received by the Agency to carry out the purposes of AB 276 (Chapter 329, Statutes of 2003, Koretz) and SB 1809 (Chapter 221, Statutes of 2004, Dunn). Both of these bills direct specified revenue to employer and employee labor-law education.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Finance Letter adjustments to state operations and benefit payments, to reflect the May 2006 forecast of claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.
- Shifted \$32.9 million in Employment Training Funds budgeted in the Department of Social Services to the Employment Training Panel.
- Approved budget requests to appropriate \$6.7 million in the Employment Development Department Contingency Fund to backfill for reduced federal funds in the areas of reemployment services for unemployment insurance claimants, the Veterans' Program, and the unemployment insurance identification alert process. The funding includes a technical legislative reduction of \$210,000.
- Approved budget-year funding of \$2.9 million (\$2.5 million GF) to begin implementation of the Automated Collection Enhancement System information technology project, which has a multiyear cost of approximately \$93 million. When implemented, this system is expected to increase annual revenue collection by \$70 million, by enhancing the collection of penalties and back-wages.
- Approved budget-year funding of \$1.8 million (special fund) to implement the Disability Insurance Automation information technology project, which has a multiyear cost of approximately \$28.9 million. When implemented, this system will provide greater access to services for claimants, medical providers, and employers.
- Rejected the request for \$4.5 million GF to establish six clinical simulation laboratories to provide clinical training to nursing students. Funding was provided for three simulation laboratories in 2005-06, and the Administration has not, to date, awarded the grants.

Budget Bill Language

1. Adopted language to require notification to the Legislature if the federal government reduces Workforce Investment Act funds and the Director of Finance reduces related appropriations.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Added funding of \$1 million GF and 10 positions for California Occupational Safety and Health Administration (CalOSHA) enforcement.
- Increased the Garment Manufactures' Special Account appropriation by \$300,000 – to \$500,000, to recognize the higher-level of claims that have recently been submitted.
- Shifted \$200,000 from the Workplace Health and Safety Revolving Fund to the Farmworker Remedial Account, to fully fund anticipated claims through 2007-08.

Trailer Bill Language

1. Modified the Administration's proposed language to require a 60-day wait on filing initial liens on Workers' Compensation claims to ensure that the wait period does not reduce the ability of applicants to recover payments.

VETERANS AFFAIRS

8955-8966 DEPARTMENT OF VETERANS AFFAIRS AND VETERANS HOMES OF CALIFORNIA

- Reduced the Department of Veterans Affairs-Headquarters Unit operating expense budget by \$2.1 million to reflect updated information on projected expenditures.
- Approved the establishment of a contract with private consultants for \$421,000 GF to prepare a feasibility study report for replacing the Veterans Home Information System. This system, now approaching the end of its service life, serves as the network to exchange data communications between veterans homes.
- Appropriated \$500,000 GF to fund an infrastructure study for the Yountville Veterans Home. This study would assess and prioritize material deficiencies in the 105 year-old home.
- Appropriated \$8.3 million GF to renovate the recreation building at the Yountville Veterans Home. This project will include measures to improve functionality of the existing facilities, abate hazardous materials, and conform to seismic and fire codes.
- Rejected the Governor's Budget proposal for \$1.7 million GF and 27.8 positions for the costs of exempting nurses and other 24-hour care staff at the Veterans Homes from the salary savings requirement. The Subcommittee instead appropriated \$1.2 million for the identified overtime and temporary help funding shortfall.
- Approved \$1 million GF and 11 positions for a new program to establish a baseline behavior wellness program at each Veterans Home. This program will treat veterans with post traumatic stress disorder, among other psychiatric problems.
- Adopted a Governor's Budget proposal for one position and \$250,000 to establish outreach programs to veterans to ensure they are aware of their federal and state benefits.
- Augmented the Governor's Budget proposal to add \$132,000 GF to the annual food budget at the Yountville Veterans Home, by adding an additional \$759,000 GF.
- Reduced the \$1.3 million request for restoration of 20 Intermediate Care Facility beds at the Barstow Veterans Home by \$53,000 to recognize salary savings and operating expense savings.
- Amended the Governor's Budget proposal for \$3.8 million (\$3.4 million GF) and 75.7 positions to operate the new Yountville Alzheimer's/Dementia Unit by restoring a five percent salary savings rate (savings of \$96,000).